

5. INSURANCE

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Today's health care system is very complex and often hard to understand by even the most sophisticated consumer. Keeping current on coverage limits and deductibles can be bewildering, the paperwork overwhelming, and finding answers on websites or by phone vexing. This section will help you find your way through the maze that is the health care insurance system.

Understanding Health Care Insurance

The following organizations can help you locate the benefits that apply to your care. They will help you save valuable time in learning the health care insurance system.

- ❑ **The State Health Insurance Assistance Program (SHIP)** provides free help to New Jersey Medicare beneficiaries who have problems with, or questions about their health insurance. Volunteer counselors, trained in areas of health insurance coverage and benefits that affect Medicare beneficiaries, provide information and assistance for dealing with claims and in evaluating health insurance needs. Counselors do not provide legal advice, sell, recommend or endorse any specific insurance product, agent, insurance company or plan. They provide information and assistance so that you can make your own decisions. Counseling is free of charge. Visit the SHIP website at www.state.nj.us/health/senior/ship.shtml or call **1-800-792-8820** to make an appointment.
- ❑ **Medicare Rights Center** is an independent source of state-specific information on Medicare and other health care coverage issues. Its website at www.medicarerights.org offers an interactive search called "MI Counselor" that walks you through the qualification process. You can also call their toll-free consumer hotline at **1-800-333-4114**.

Medicare

Medicare is a federal health insurance program for people age 65 or older, under 65 with certain disabilities, and any age with End-Stage Renal Disease (ESRD). The program helps with the cost of health care, but it does not cover all medical expenses or the cost of most long-term care. Medicare offers a number of coverage options.

- ❑ For complete information about **Medicare**, visit its website at www.medicare.gov or call **1-800-633-4227** toll-free and request a copy of the publication, "Medicare and You" for New Jersey residents.

Original Medicare Plan

The Original Medicare Plan is a fee-for-service plan managed by the federal government. It includes Parts A and B (see below). An individual is enrolled in the Original Plan by the Social Security Administration at the age of 65 unless he or she elects to enroll in another type of plan (see *Part C*). There are deductibles, co-payments, and some health services, such as hearing aids and eyeglasses, that are not covered. Most individuals with Original Medicare buy supplemental insurance to fill coverage gaps (see *Medigap on pg 74 of this section*).

Part A: Hospital Insurance

Hospital Insurance helps pay for hospital care, some home health services, certain short-term stays in a skilled nursing facility (nursing home), and hospice care. There is no monthly premium charge for Part A coverage if the individual or spouse paid Medicare taxes while working. As of 2010, there was a \$1,068 deductible for hospital stays, co-pays for stays beyond 60 days in hospitals and 20 days in skilled nursing facilities, and limits on the number of days covered.

Part B: Medical Insurance

Medical Insurance helps pay for doctors, outpatient services, and supplies. Consumers pay a monthly premium for Part B (premiums vary by income, but an individual in 2010 would typically pay between \$97 and \$250 per month), plus a \$135 annual deductible. Some co-pay charges apply for equipment, therapies, and preventative services.

Home health services included in Parts A and B are most frequently used to provide only short-term follow-up care after discharge from a hospital or skilled nursing facility. Medicare covers expenses if four conditions are met:

- The individual is confined to home;
- The individual needs intermittent skilled nursing care, physical, occupational or speech therapies;
- The individual is under the care of a physician who determines the need and establishes a home health care plan; and
- The home health agency providing services is Medicare-certified.

Part C: Medicare Advantage Plans

Medicare Advantage Plans are managed health care plans approved by Medicare and run by private companies to provide all of the medically necessary services provided in Parts A and B. Providers can charge different co-payments and deductibles and may require the use of providers in the plan. They can also offer additional services not covered by Original Medicare, such as prescription drug, vision, hearing, and dental coverage. There are five different types of Medicare Advantage Plans, and many different plans and providers. You can switch or join plans during defined periods of the year. Note that if an elder drops

employer or union coverage or Medigap insurance by joining a Medicare Advantage Plan, he or she may not be able to get it back.

Part D: Prescription Drug Coverage

Prescription Drug Coverage has been available since 2006. People in either Original Medicare or a Medicare Advantage Plan can add drug coverage through Part D. Part D insurance plans, which include co-payments and deductibles, are run by private companies approved by Medicare. A number of plans are available, but one must carefully assess each individual plan.

Medicare Savings Programs

The Medicare Savings Program may help pay part of your medical expenses. If you qualify, you may not have to pay your Medicare Part A and B premiums, deductibles, and coinsurance premiums or out of pocket expenses. The savings plans are:

- ❑ **Specified Low-Income Medicare Beneficiary (SLMB)** - Certain individuals who have Medicare Part A (Hospital Insurance) and Medicare Part B (Medical Insurance) and who are slightly above the national poverty level may qualify for State help in paying their Medicare Part B premium. To qualify, a person's annual gross income must not exceed 135% of the Federal Poverty Level and their financial resources such as bank accounts, stocks, and bonds must be within established limits. The Medicare Part B premium must be included in determining annual gross income.
- ❑ **Qualified Medicare Beneficiary (QMB)** - The **Qualified Medicare Beneficiary (QMB)** in NJ is a component of the Medicaid/New Jersey FamilyCare program. QMB also helps pay for the Medicare Part B premium, deductibles and coinsurance. The QMB program has slightly lower income guidelines but the same asset guidelines as the SLMB program.
- ❑ **Qualifying Individual (QI-1)** - Persons with income between 120% and 135% of the Federal Poverty Level may be eligible for assistance as a Qualifying Individual (QI) to have monthly Medicare Part B premiums paid.

Medigap

When an aged or disabled individual is not covered by an employer or union health care plan, it is possible to buy a supplemental policy to help bridge the gaps in Original Medicare coverage. These policies are called Medigap insurance.

Medigap policies must follow federal and state laws and have certain standardized benefits, so you can compare them. Standard policies cover co-payments for outpatient visits, deductibles for hospitalization, skilled nursing

facilities, mental health benefits, and other specialized services. Medigap policies may also offer additional services at an extra cost.

Medicare does not pay for any of the costs of a Medigap policy. To buy a Medigap policy, you must be enrolled in Medicare Part A and Medicare Part B.

- ❑ To find a Medigap policy, visit the **State Health Insurance Assistance Program (SHIP)** website at www.state.nj.us/health/senior/ship.shtml or call **1-800-792-8820** to make an appointment with a SHIP counselor.

Other Insurance Plans

Individuals may have access to government-funded insurance programs other than Medicare. The following information can help you decide if you or someone under your care is eligible for one of these programs.

Government Employee Health Plans

Retired federal, state, or local government employees (and their families) may have health care coverage that replaces Medicare or insurance that complements Medicare. Contact the employer's personnel or human resources department for details regarding health care benefits.

Indian Health Plans

Native American elders who receive health care from the Indian Health Service, a Tribal Health Program, or Urban Indian Health Program should contact their provider to understand how Medicare benefits work with this coverage.

Military Service Benefits

Some seniors (and family members) may be eligible for health care coverage through the Veterans Administration (VA) or the Department of Defense (DoD) if they served in the military or, in some cases, were on active duty while in the National Guard. Coverage in either program may also require participation in Medicare Part A and Part B. There are two major programs:

- ❑ **TRICARE:** The U.S. Department of Defense provides coverage through TRICARE to active-duty and retired military persons and their dependents. Detailed information about eligibility and coverage is available on the Internet at www.tricare.mil or by calling **1-877-TRICARE (1-877-874-2273)**. Not all VA Medical Centers participate in the TRICARE network. VA Medical Centers that participate in TRICARE will provide treatment for a non-service-related disability if space is available.
- ❑ **CHAMPVA:** This Veterans Administration health care coverage is provided to veterans and their dependents who meet one of eight categories of eligibility. Detailed information is provided on the U.S. Department of Veterans Affairs website at www.va.gov/health/index.asp or by calling **1-877-222-8387** toll-free. In many cases, home care services to manage daily living tasks are covered by the CHAMPVA.

Choosing which program is best for the individual requires some research. Keep in mind that changing benefit coverage between these two programs within a specific episode of care may result in denial of payment from either program. For more information about how this works, contact the person who serves as the TRICARE “Beneficiary Point-of Contact” at your regional VA facility (see **Appendix Q** and **Appendix R**).

New Jersey Veterans Health Care System

<p>Lyons Campus 151 Knollcroft Road Lyons, NJ 07939 908-647-0180</p>	<p>East Orange Campus 385 Tremont Avenue East Orange, NJ 07018 973-676-1000</p>
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Employer or Union Health Coverage

Elders (or family members) may have health coverage based on current or past employment that will help pay deductibles and other expenses not covered by Medicare. It is important to contact the benefits administrator of the union or employer to understand what the coverage includes and what it costs. The employer or union generally has the right to change benefits and premiums or stop offering coverage, so it is important to watch for notices regarding coverage and keep them on file. Prescription drug coverage, in particular, may change annually.

Medicaid

Medicaid is a joint federal and state program that provides health insurance and long-term care to low-income individuals of all ages. While Congress and the Centers for Medicare and Medicaid Services (CMS) set out the main rules that govern Medicaid, each state administers its own program. As a result, the eligibility rules differ significantly from state to state, although all states must follow the same basic framework. In New Jersey, the program is administered by the Division of Medical Assistance and Health Services (DMAHS).

Seniors and individuals with disabilities who have extremely limited income and assets often qualify for both Medicare and Medicaid and they are referred to as “dual eligible.” Most of their health care and long-term care costs are covered.

New Jersey Medicaid Insurance Programs

New Jersey Medicaid—Provides health insurance to low-income parents, children, and people who are blind or disabled. The program pays for hospital services, doctor visits, prescriptions, nursing home care and other healthcare needs.

Community Medicaid—In 2010, an individual was eligible for community Medicaid in New Jersey if his/her gross monthly income is equal to or less than \$867 with a resource maximum of \$4000.

Institutional Medicaid—In 2010, an individual must meet both the financial eligibility (\$2022/mo. and a resource maximum of \$2000) and clinical eligibility (also referred to as nursing facility level of care).

Medically Needy—An individual seeking institutional Medicaid whose income exceeds the Medicaid “cap” of \$2022 (2010) may be eligible for limited Medicaid coverage through the Medically Needy program. The resources standard for Medically Needy for an individual is \$4000.

NJ FamilyCare—A health insurance program for children whose families’ annual household incomes are less than 350 percent of the federal poverty level (FPL), which is based on household income and size (in 2010, for example, 350 percent of FPL for a family of four is \$77,175).

NJ FamilyCare ADVANTAGE—This comprehensive health benefits program, which is administered by Horizon, is available to children under age 19 in families with income greater than 350 percent of the Federal Poverty Level (FPL). Families pay premiums based on the number of children enrolled in the program. If a family chooses to enroll its children in this program, all children must enroll; the family cannot choose which children to enroll.

Most New Jersey Medicaid and NJ FamilyCare beneficiaries are enrolled in an HMO that manages their healthcare and provides services in addition to the wide array of Medicaid health benefits to which they are entitled.

□ For Medicaid information call the **NJ Division of Medical Assistance and Health Services** at **1-800-356-1561**, or visit their website at **www.state.nj.us/humanservices/dmahs/home/index.html**.

New Jersey Hospital Care Payment Assistance – Charity Care

This program offers free or reduced charge care for patients who receive inpatient or outpatient services at acute care hospitals throughout the State of New Jersey. Hospital assistance and reduced charge care are available only for necessary hospital care. The patient or prospective patient must apply for hospital care payment assistance at the hospital from which he/she plans to obtain or has obtained services. The patient should apply at the business office or admissions office of the hospital.

Eligibility

Hospital care payment assistance is available to New Jersey residents who:

- ❑ Have no health coverage or have coverage that pays only for part of the bill;
- ❑ Are ineligible for any private or governmental sponsored coverage (such as Medicaid); and
- ❑ Meet both the income and assets eligibility criteria.

- ❑ For additional information call the **Hospital Finance and Charity Care** Hotline at **1-866-588-5696** (Monday through Friday, 9am – 5pm) or visit their website at **www.state.nj.us/health/cc/**.

Long-Term Care Insurance

Long-term care insurance helps to pay for some or all of the costs of long-term care and is becoming increasingly popular as the baby boomer population ages and individuals realize the potentially devastating effect of long-term care expenses.

Long-term care policies can vary greatly from one insurer to the next. Policies may include benefits for care in a nursing home, in an assisted living facility, in your home, or in an adult day care center. Some policies may pay for family benefits, such as caregiver training, but do not pay for services provided by family members.

It is important to determine what types of care are covered by a long-term care policy. Policies that limit coverage to nursing home care will not generally pay for services received at home. More flexible policies are available which allow you to use benefits to cover any necessary long-term care in any setting, but these policies usually are more expensive. If you are thinking of buying a policy, ask an experienced eldercare lawyer or financial planner to review the policy with you before signing. (See the **Finances** section for information on finding a financial planner and the **Legal Services** section for information on locating a lawyer.)

New Jersey State Partnership for Long Term Care

A program that combines private LTC Insurance and Medicaid Extended Coverage, it allows residents of NJ to protect assets equal to the long term care insurance benefits received from a New Jersey Partnership Policy so that the assets will not be taken into account in determining their financial eligibility for Medicaid.

- ❑ To learn more about the **New Jersey Long Term Care Insurance Partnership Program** visit **www.ltcpartnershiponly.com**.

Visit these websites to evaluate the pros and cons of obtaining long-term care insurance:

- ❑ **AARP** provides resources on long-term care and planning at **www.aarp.org**.

- ❑ **Medicare's** website at www.medicare.gov offers useful information on planning for long-term care, including links to information on long-term care insurance.
- ❑ The **National Clearinghouse for Long-Term Care Information**, managed by the Administration on Aging (AoA), provides information on services and financing options at www.longtermcare.gov.

Life Insurance

Life insurance protects your financial future by providing the financial resources to your family to pay immediate and continuing expenses after your death. There are certain riders and plans that permit a life insurance policyholder to obtain funds related to a life insurance policy in advance of death which may help to defray the costs of long-term care.

- ❑ **Accelerated Death Benefits** – This benefit provides cash advances against the death benefit while the insured is still alive. One must add an accelerated death benefit (ADB) rider to their life insurance policy for little or no cost.
- ❑ **Life Settlements** – Also known as Senior Settlements, Elder Settlements or High Net Worth Settlements, give older individuals the ability to adapt to changes in health, goals or life circumstances by selling their life insurance policy. They may no longer need the death benefit because the original reason they bought the insurance no longer exists or the insurance premium may be unaffordable after retirement.
- ❑ **Viatical Settlements** – A Viatical Settlement is the sale of a policy by someone who has a life expectancy of two years or less while someone with a Life Settlement has a life expectancy greater than two years but less than 13. Under a Viatical Settlement, the insured assigns the proceeds of his/her life insurance policy to an investor in exchange for a cash settlement, which is less than the value of the death benefit. The tax consequences also differ. Viatical Settlements are usually tax-free, whereas Life Settlements are not.
- ❑ **Single Premium Life/LTC Policies** – These policies are funded through a lump sum payment, which is guaranteed not to change. The single premium deposit can be made with cash, CDs, money market accounts, non-qualified and qualified annuities or IRAs and Keogh plans. Issue ages can vary based on the source of the premium.

Long-Term Care Annuities

An annuity is a series of regular payments made to an individual over a specified and defined period of time. The funds for the annuity come from a single premium payment the individual makes when establishing the account.

- ❑ **Deferred Annuity with Long-Term Care Benefits** – This annuity is available for persons up to age 85 and has seven broad health questions that most people can satisfy. One example of this hybrid product might

consist of two funds. The first fund is for long-term care expenses and it grows at a high interest rate with a five-year guarantee. It then grows at the current interest rate thereafter. The second fund grows at 3 percent guaranteed and is a regular cash fund. The purpose of the separate long-term care fund is to allow immediate use of the funds for licensed LTC services.

- **Immediate Annuity** – This annuity is available to people with uninsurable health conditions or those who may be already receiving long-term care, as well as those in good health. A single premium payment is converted to a monthly income stream guaranteed for the life of the policyholder or for a minimum guarantee period, life and a minimum guarantee period, or even a joint and survivor annuity option. The named beneficiary(ies) would receive a portion of the money if the policyholder dies earlier than the expiration of the minimum guarantee period.
- **Reverse Mortgage Annuity** – In a reverse mortgage annuity, part of the lump sum loan amount obtained from the reverse mortgage is used to buy an annuity. Even if the borrower sells or moves from the home, annuity payments will continue. The loan must be paid off when the owner dies, sells or moves from the home. The annuity payment from the separately purchased annuity can continue.
- **Leaseback** – A leaseback occurs when an investor buys a home below market value and the investor agrees to rent the house to the seller on a long-term lease. The seller no longer has to worry about maintenance to the home or paying taxes, and the proceeds of the sale can be used as desired, to finance long-term care needs or to buy insurance.

